

ORIGINAL

THIS AMENDMENT:	
Passed _____	Passed as amended by _____
Failed _____	Not Offered _____
Withdrawn _____	



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2009 DEC -4 P 3:09

AZ CORP COMMISSION  
DOCKET CONTROL

PIERCE PROPOSED AMENDMENT # 5

DATE PREPARED: December 4, 2009

Arizona Corporation Commission

DOCKETED

DEC - 4 2009

COMPANY: Arizona Public Service Company

DOCKET NOs: E-01345A-08-0172

OPEN MEETING DATES: December 7-9, 2009

AGENDA ITEM: U-2

DOCKETED BY	<i>MM</i>
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Page 42, Line 15

INSERT new paragraph:

"Even though we will allow Schedule 3 proceeds to temporarily be accounted for as revenue, we believe that the estimates of those proceeds (\$23 million, \$25 million and \$49 million for 2010, 2011 and 2012, respectively, which equals approximately \$33 million per year) are too low and have not been estimated as Staff typically estimates such on-going costs and/or revenues in other cases. In other cases Staff would normalize such proceeds based on historical data. According to APS Exhibit #28, the dollars associated with line extensions were \$142 million, \$167 million, \$173 million and \$119 million for 2005, 2006, 2007 and 2008, respectively. Normalizing the years 2005 through 2007 would yield a line extension dollar value of approximately \$161 million per year, normalizing the years 2005 through 2008 would yield \$151 million per year. Even if we exclude 2007 as an outlier, normalizing the years 2005, 2006, and 2008 yields \$143 million. All three values are far in excess of the \$33 million per year predicted by the Settlement Agreement. Therefore, we believe the revenue requirement contained in the Settlement Agreement should be reduced accordingly. In order to account for the slow down in the economy, but also account for the fact that the economy is expected to pick up in the coming years, we will use the \$143 million normalized value discussed above. We will also begin with APS' original revenue increase request,<sup>fn1</sup> which was \$448.2 million, and reduce it by the amount of the expected annual line extension proceeds calculated above, \$143 million. This results in a revenue increase of \$305.2 million being approved by this Decision, instead of the \$344.7 million contained in the Settlement Agreement."

<sup>fn1</sup> We note that adopting APS' original revenue increase request is, if anything, overly generous to APS. The \$448.2 million is the entire revenue increase requested by APS in its Amended Application filed on June 2, 2008, which included an 11.5% cost of equity and post test-year plant through October 2009. Because the Settlement Agreement only authorizes an 11.0% cost of equity and only includes post test-year plant through June 2009, using the \$448.2 million as the starting point for determining the base rate increase approved in this Decision is, if anything, overly generous to APS.

**Page 53, Line 27**

INSERT after "approved":

"except for the revenue increase being reduced from \$344.7 million to \$305.2 million, as discussed herein."

Conforming changes.